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THE DIRECTOR OF CENTRAL INTELLIGENCE

WASHINGTON, D.C. 20505

9 December 1982

National Intelligence Council

MEMORANDUM FOR: Robert Friel
EUR/RPE
Department of State

FROM: Maurice C. Ernst
National Intelligence Officer for Economics

SUBJECT: NATO Economic Committee Program

I promised you our views on the ECONAD program. These are as follows:

- (1) We agree that a January meeting on the Soviet problem of resource allocation is premature. It would be useful, however, to have such a meeting as soon as possible thereafter, probably in February. The main purpose of the meeting will be to do a preliminary assessment of what the new Soviet leadership is doing in economic policy, particularly in the allocation of resources to investment and the military. We will have papers to submit on these topics and would encourage other countries to contribute as well.
- (2) We are inclined to agree with the French that a substantive discussion of debt problems could best be coupled with a discussion of the balance of payments. The June meeting could cover both topics and should be concerned with both the USSR and Eastern Europe because of the close economic linkages. The Soviets have considerably improved their balance of payments position, and reduced their debt, but partly at the expense of the Eastern European countries, who are making a painful economic adjustment.
- (3) For a separate meeting in the spring, we would like to substitute a discussion of the dependence of the Soviet economy on imports of Western products and technology. We have submitted a considerable amount of material on this topic and it has been discussed in NATO superficially, but never in a systematic way. Several of the Allies have suggested that a special study be done. Since the topic is highly complex, an important objective of the first meeting should probably be to lay out a work program over the

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following year or so for in-depth analysis of import dependence for particular Soviet sectors and industries. We would have to do a considerable amount of work, but would hope to engage other countries in the effort. If some common conclusions can be drawn from such a study, there should be benefits for US policy objectives and Alliance cooperation.



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Maurice C. Ernst

cc: Amb. Charles Meissner

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